

HUNGARY

As per 1 January 2018

Click to download PDF: As per 1 January 2014 (<http://publicationsdrafts.ro/expat-tax-2014/wp-content/uploads/2015/01/Hungary-As-per-1-January-2014.pdf>), 2015 (http://publicationsdrafts.ro/expat-tax-2014/wp-content/uploads/2015/01/Mazars_Hungary-copy.pdf), 2016, (<http://publicationsdrafts.ro/expat-tax-2014/wp-content/uploads/2016/01/Global-Mobility-Services-Mazars-Hungary.pdf>)2017 (<http://publicationsdrafts.ro/expat-tax-2014/wp-content/uploads/2017/01/Hungary.pdf>)

EXPATRIATE AND EMPLOYER TAX COMPLIANCE AND ADVISORY

Tax rate	Personal income tax rate : 15% (Flat tax rate)
Tax period	Calendar year
Tax residency / Domicile according to domestic law	Hungarian citizen. Present for more than 183 days in a calendar year in Hungary. Others: permanent home in Hungary, centre of vital interests in Hungary or habitual abode in Hungary.
Tax registration	Before the first day of payment the individual needs to apply for a Hungarian tax ID number. This is needed to pay either the personal income tax on a quarterly basis in the case of a foreign employment agreement or by means of monthly withholding in the case of a Hungarian employer. The Hungarian Act on Labour Law prescribes a registration and reporting obligation on companies located within the EEA posting (assigning) their employees to Hungary in order to provide services. It is also applicable if companies post (assign) employees to their Hungarian branch or subsidiary.
Employment income definition	Any remuneration and benefits in cash or in kind Income of private individuals from an employment relationship (including relationships which are treated as an employment relationship under foreign law).
Examples of tax exemption	Housing cost of the individuals on assignment in Hungary borne by the foreign entity. Travel and accommodation cost relating to business trips. Use of company car also for private purposes.
Specific expatriate concession	Not applicable
Income of board members	Treated as employment income
Tax returns	Local employment agreement: the employer is liable for the monthly tax compliance Foreign employment agreement: the individual has to prepare and submit by 20th May of the following year a year- end tax return on income earned during the tax year.
Tax payments	Local employment agreement: the employer (as a payer) is obliged to deduct and pay personal income tax on a monthly basis (12th of the following month). Foreign employment agreement: the advance personal income tax is payable on a quarterly basis due before the 12th of the month following the quarter in which the income was paid.

TAX TREATIES

Employment income / income from board members	Art 15/16 OECD Model Tax Convention
--	-------------------------------------

INTERNATIONAL SOCIAL SECURITY

Cross border employments	EU Regulation No 883/2004 and EU regulation No. 1408 / 71.
Exception under Art 16 of Reg.	

883/2004 and Art 17 of Reg. 1408/71	Generally applicable
Social Security Cost as % from gross salary and absolute amounts	Payable by the individual on the gross salary: – 10% Pension contribution; – 7% Health Care contribution; – 1.5% Labour Market contribution. Payable by the employer on gross salary: – 19.5% Social Contribution tax; – 1.5% Vocational Training contribution (only for Hungarian companies).
IMMIGRATION	
Work permit	Swiss, EU and EEA nationals do not need a work permit to work in Hungary. However, the Labour Office needs to be informed about the employment. Nationals of other countries need a work permit in order to perform (employment) activities in Hungary.
Visa	EU and EEA citizens do not need a visa to enter Hungary. Non-EU and EEA citizens from particular countries may be obliged to apply for a visa before entering Hungary.
Residence permits / Registration card	Third country nationals need to have a residence permit for the purpose of employment in order to work in Hungary. EU and EEA nationals need to obtain a registration card if their stay in Hungary exceeds three months.
Driving license	A foreign driving licence is valid for one year from the first day of the individual's stay in Hungary. After one year it needs to be replaced by a Hungarian driving licence. The driving licence issued in EEA countries are valid as regular. If it does not contain an expiry date it has to be replaced after a two-year stay by a Hungarian driving licence.
STOCK OPTION PLAN	Tax treatment depends upon the conditions of the Stock Option Plan.
ARTICLE 15 OF THE OECD MODEL	
183 days	The number of days spent in Hungary is relevant in the determination of tax residency in the Hungarian national legislation. The Act on personal income tax prescribes, that an individual qualifies Hungarian tax resident in the case the right of free movement and residence is exercised for at least 183 days in a calendar year, including the day of entry and exit (effective for the citizens of the European Economic Space). In practice, the physical presence is to be considered by the calculation of the 183 days. Those days, when the individual is partially in Hungary, qualify as Hungarian days.
Notion of employer	In general, it is the organization, with whom a private individual has an employment relationship. The notion of the employer includes any legal person, registered company, association of persons, any private entrepreneur or partnership and any other organization having a registered office, business establishment or representation in Hungary. Foreign companies shall also be considered employers in the case they establish employment relationship, which results social security coverage for the individual in Hungary. In respect of the economic employer approach, the Hungarian Tax Authority issued a summary that this concept is applicable in Hungary. This is fully in line with the OECD approach. However, it is not prescribed by the Hungarian law.
Existence of a permanent	In the Hungarian legislation it covers: <ul style="list-style-type: none"> • permanent business establishment, equipment, and accessories that is used by the taxpayer in whole or in part for business activities; • site of construction or assembly operations;

establishment

- foreign person in the case of the direct utilization of natural resources in Hungary;
- foreign person in the case of utilization of real estate
- foreign person in the case of activities undertaken by other business entities, who are entitled to enter into a contract in Hungary on behalf of the foreign person and exercise such right on a regular basis.



(<http://www.mazars.com/Users/Our-team/Sandor-Szmicsek>)

Sándor Szmicsek

Tax partner – Budapest, Hungary

Send Email (<http://www.mazars.com/Users/Our-team/Sandor-Szmicsek>)

Direct line: +36 1 885-0203

Address: Nagyenyed utca 8-14, 1123 Budapest

www.mazars.hu (<http://www.mazars.hu>)